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TAGS: [PARM](#) [MTCRE](#) [PREL](#) [MNUC](#) [ETTC](#) [IR](#)

SUBJECT: (C) IRAN, NORTH KOREA, AND SYRIA NON
PROLIFERATION ACT -- NOTIFICATION OF SANCTIONS AGAINST A
SOUTH KOREAN ENTITY

REF: 06 STATE 187236

Classified By: EAP DAS ALEX ARVIZU FOR REASONS 1,4 (B), (D), AND (H).

11. (U) This is an action request.

12. (S) Action Request: The United States will announce in the Federal Register on Wednesday, October 22 the imposition of sanctions under the Iran, North Korea, and Syria Nonproliferation Act (INKSNA). Thirteen entities in eight countries will be included. One South Korean entity, Yolin Technology, Inc., will be among those sanctioned. Post is requested to pre-notify the ROKG in advance of the publication of the sanction against Yolin. We want to provide advance notice to the Korean Government of this decision, note that this determination will be published in the Federal Register, and make clear that the sanctions apply only to Yolin Tech, not the Korean government. Please draw from the talking points in paragraph 5. Talking points also may be provided as a non-paper.

13. (S) Background for Post Only: In December 2005, the ROK company Yolin Tech attempted to provide potassium bifluoride to Iran; however, the shipment was stopped while en route in Singapore. The interdicted potassium bifluoride was reportedly returned to the ROK where it was to have been sold on the domestic market. According to subsequent information, Yolin Tech was able to complete the shipment to Iran in May 2006, by falsifying export documents and disguising the chemicals as "wood preservatives." The May 2006 transfer and resulting ROK enforcement actions have been reported in the ROK press. According to ROK press reports, an unauthorized export of potassium bifluoride in the ROK is subject of up to five years of jail time or a fine of three times the price of the goods. While Yolin Tech was reportedly warned and watchlisted as a result of the December 2005 export attempt, it avoided legal charges at the time because the export had not been completed. Press reports indicate that ROK authorities took the director of the ROK company into custody on October 11 for the May shipment. Bilateral discussions with the ROKG confirmed these reports. The Director of Yolin Tech, which was found to be a one-man front company, was arrested, prosecuted, and sentenced to eight months imprisonment, two years probation, and 80 hours of community service for document falsification. Potassium bifluoride is controlled by the Australia Group due to its potential use as a precursor for sarin gas. It also has nuclear-related uses in uranium conversion and uranium hexafluoride production. Consequently, and in support of ROKG enforcement activity, the USG has determined that the transfer warrants the imposition of measures pursuant to Section 3 of the Iran, North Korea, and Syria Nonproliferation Act.

14. (S) General Background: The Iran, North Korea, and Syria Nonproliferation Act (INKSNA) requires periodic reports to Congress identifying foreign entities with respect to whom there is credible information indicating that they have transferred to or acquired from Iran, North Korea or Syria goods, services, or technology on multilateral control lists (Australia Group, Chemical Weapons Convention, Missile Technology Control Regime, Nuclear Suppliers Group, and the Wassenaar Arrangement) or certain other items with the potential to make a material contribution to WMD development or missile programs. End Background.

15. (S//REL KOREA) Suggested Talking Points:

-- We wish to inform you that the U.S. has made a determination to impose sanctions against a ROK entity for the transfer of sensitive items to Iran.

-- The United States has determined that there is credible information indicating that Yolin Technology, Inc. transferred to countries covered under the Act items on a multilateral control list, or other items that have the potential to contribute materially to WMD development or missile programs.

-- We have previously raised our concerns about this entity with the ROKG, are aware of the ROKG's enforcement activity against this company, and have made the determination to impose sanctions in support of Korean enforcement activity.

-- These measures apply only to this entity, not to Korea or Korean authorities; we will make that clear in any public treatment of this issue.

-- The Iran, North Korea, and Syria Nonproliferation Act (INKSNA) is one such law. This law requires periodic reports to Congress identifying foreign entities with respect to whom there is credible information indicating that they have transferred to or acquired from Iran, North Korea or Syria goods, services, or technology on multilateral control lists (Australia Group, Chemical Weapons Convention, Missile Technology Control Regime, Nuclear Suppliers Group, and the Wassenaar Arrangement) or certain other items with the potential to make a material contribution to WMD development or missile programs.

-- Accordingly, pursuant to the provisions of the Act, the following measures are imposed on this entity, and its successors, subunits, and subsidiaries:

a. No department or agency of the United States Government may procure, or enter into any contract for the procurement of any goods, technology, or services from them;

b. No department or agency of the United States Government may provide any assistance to them, and they shall not be eligible to participate in any assistance program of the United States Government;

c. No United States Government sales to them of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated; and

d. No new individual licenses shall be granted for the transfer to them of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

-- These measures will take effect shortly and will remain in place for two years.

-- This determination will be published soon in the Federal Register of the United States.

-- This case is a further indication of the serious ongoing problem of the exploitation by proliferators of export control mechanisms. We continue to value our strong and close nonproliferation cooperation.

End suggested talking points

16. (U) Please slug any reporting on this issue for ISN/MTR and EAP/K. A response is requested as soon as possible. Department point of contact is Stephen Tomchik, VCI/FO, 202-647-1192 (tomchiks@state.gov).
RICE

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End Cable Text